

**Mayor's Ad-Hoc Parking Study Committee**  
**Monday, September 28, 2009**  
**4:30 PM**  
**Council Chambers**

**In attendance:** Mayor Jim Bouley (left at 4:45pm), Councilor Keith Nyhan, Councilor Allen Bennett, Councilor Rob Werner, Jeff Bart (arrived at 4:50pm), Jim Corrigan, Will Delker, John Hoyt, Charlie Russell

**Staff:** Carlos Baía, David Florence, Brad Osgood, Matt Walsh

Meeting convened at 4:35 pm.

Mayor Bouley explained that the idea for the committee originated from the City Manager's FY 10 budget. He envisioned the committee reviewing the following:

- Rates and enforcement;
- Hours and days of enforcement;
- Appropriate staffing and oversight levels;
- Whether the Police Department is the appropriate organizational location for operations;
- Potential value of privatization;
- Fee and fine ordinance system relative to other cities in New Hampshire

He emphasized that the parking garages are a critical component. If the City continues to operate the garages, the committee would need to come up with an alternative that could remedy the trouble that the parking fund is currently experiencing. The Mayor would like the committee's recommendation by year end.

The Mayor departed at this point.

Chair Nyhan introduced himself and explained that the goal of the committee would be to present its recommendations by the first half of January. He anticipated having some ideas for subsequent meetings generated from today's session.

John Hoyt asked if the focus was on garages first and the remaining parking fund activities were to be secondary. Chair Nyhan responded that the garages were paramount but that any recommendations would have to be cognizant of the entire fund and its wide ranging impact for such practices as economic development.

Councilor Nyhan explained that to fully understand the problems confronting the fund, it was necessary to frame the initial discussion in terms of the pro-forma. To that end, he asked Carlos Baía to make a presentation on this specific topic.

Carlos Baía made a Powerpoint presentation (attached for the record).

Will Delker asked why the parking fund went negative? Mr. Baía answered that it was primarily due to the Capital Commons debt and the economic recession. The economic slowdown inhibited the full leasing of the Capital Commons building which would have correlated to additional leased spaces in the garage resulting in more income for the fund.

Charlie Russell asked if there was any remaining debt on the other two garages? Matt Walsh stated that it was minor related to the revenues generated in those facilities. The Firehouse and Durgin garages are very much revenue positive.

A request for more detail on why the Capital Commons garage is not meeting expectations was made. Mr. Walsh provided specific details about the structure of the financing and the lease provisions within the garage.

Councilor Bennett explained the justification on the part of the then City Council to build the Capital Commons garage in the manner and size that it did. It was expected to generate economic development. The problem, as Councilor Bennett understood it, was the economy and the perceived reluctance or inability of the developer of the Capital Commons building to fully lease the facility.

Jeff Bart indicated that he was on the City Council at the time and that the decision to “overbuild” the garage was clearly to anticipate additional development downtown.

Councilor Werner asked if it wasn’t also based on future population growth. Mr. Walsh indicated that it was primarily driven by economic development purposes.

Chair Nyhan asked Mr. Walsh to explain the Sanel Block proposal as to how it relates to the parking fund. Mr. Walsh described the project and that the developer has an agreement with the City to lease up to 150 spaces in the Capital Commons garage.

Mr. Delker inquired if the pro-forma distributed this evening accounted for the Sanel project? Mr. Walsh indicated that it did not as there are still a significant amount of unknown variables with that project.

Mr. Bart sought confirmation as to whether there are 300 spaces available to lease as part of the original structure of the Capital Commons garage. Mr. Walsh replied in the affirmative and indicated that if Mr. Duprey takes his full allotment of 150, his project alone would consume all of the remaining leasable spaces.

Returning to other issues related to the parking fund, Mr. Bart indicated that the parking enforcement officers write a number of tickets each year that aren’t for meter violations. This ticket revenue goes directly into the general fund despite the fact that the salary and benefits of the parking enforcement officers are drawn from the parking fund. David Florence confirmed this statement and noted that there is about \$185,000 in projected non-meter violation revenue largely generated by the parking enforcement officers. Mr. Bart asked that this revenue information be detailed and provided to the committee.

Mr. Russell explained that, in his view, enterprise funds for the garage should only be established to cover the debt to build and bring the garage into operation. Once the debt is paid off, the operations of the facility should no longer be within the special revenue fund. He extrapolated that a libertarian view would question why the City is even in the parking business at all. Mr. Russell cited the recent example of Chicago that sold its parking assets. He illustrated by way of the Durgin Garage that at \$.50 per hour with untaxed common areas, the meter collections are a form of subsidy as the building cannot produce tax revenue for the city. He believed that a sale of the asset on the market could generate 2.5 times the current assessment of \$1 million.

Mr. Bart opined, however, that by using Mr. Russell's logic, the committee should really look at all special revenue funds in the city. He asked Chair Nyhan if that was a task that they had been assigned or was within their purview. Chair Nyhan indicated that it was not within the committee's purview. The committee was to focus on the garages but remain aware of how these facilities fit or affect the larger organization.

Chair Nyhan asked Mr. Baía to distribute the email addresses of the committee members and staff to everyone involved.

Chair Nyhan concluded that it is evident that Capital Commons is the root of the problem for the parking fund's financial deterioration.

Mr. Russell broached the subject of customer service and provided an example of an attendant when the Durgin facility was built. The discussion then focused on the problems with the pay stations at Capital Commons.

Councilor Bennett provided some history on how the decision was made to go with the automated pay stations and to determine their current number. He explained that he had wanted to add another but that was not the will of the Council.

Mr. Bart interjected that it's not the pay spaces that are the problem for the parking fund, it is the lack of leased spaces.

Mr. Hoyt asked if the amortization for the Capital Commons lease was "straight lined". Mr. Walsh responded that for the most part it is. He explained that staff recently reviewed some alternatives to the Capital Commons debt such as converting it all to taxable financing so as to provide complete flexibility in terms of leasing the spaces. Another option reviewed was the notion of "ascending debt" where the payments in the early years are lower to allow for greater financial relief while the garage goes through its initial lease-up period. As the years pass, the payments would increase. This is currently not allowed per New Hampshire law, as such, a legislative change would need to be introduced.

Mr. Walsh added that it was always anticipated that the Capital Commons garage would not generate positive returns in the early years. It was hoped that the remainder of the parking fund would cover these initial "holes" until such time as the garage became self-

sufficient as a result of greater customer awareness/acceptance, new leases and new rates. In fact, Mr. Walsh noted that the FY 08 revenue projections for Capital Commons in the pro-forma illustrate that the garage would not have covered its initial debt service were it at maximum capacity.

Mr. Russell posited that if the City sold Durgin and Firehouse and the private sector buyer increased the parking rates, it would drive people to the Capital Commons facility thereby helping the bottom line for that facility.

Mr. Bart asked if the City had looked at what happened to the utilization of the garage after the latest increase to \$.50 per hour. Mr. Florence and Mr. Walsh did not have that information on hand, but did indicate that they did see a drop-off overall in terms of meter usage likely due to some motorists parking further outside the core downtown area.

Based on the last response, Mr. Bart expressed doubt that anyone would buy a garage that cannot reach capacity at \$.50 per hour.

Mr. Russell countered that the private sector can always depreciate the investment.

Chair Nyhan asked staff to provide the occupancy rates for the other garages.

Mr. Walsh added that there spaces for city staff on the roof of the Firehouse garage that are not paid into the parking fund. Mr. Florence calculated that it was approximately \$50,000 worth of potential annual income that was not raised as a result of the city's spaces.

Mr. Russell referenced the Manchester example of using the pay stations and believed that their revenue increased by over 30% as a result. Mr. Florence explained, however, that they also say a 24% increase in credit card processing fees.

Mr. Delker asked for further clarification as to the rationale for the Capital Commons leases rates not to cover debt service. Mr. Walsh explained that the Capital Commons pro-forma had a twenty year time horizon that anticipated rate increases that would eventually change this deficit. Mr. Walsh stressed that economic development tools tend to have a short-term loss in anticipation of a long term gain.

Mr. Bart posited that the Capital Commons office building would not exist without the garage.

At this point, Chair Nyhan sought to conclude the meeting. The next meeting was scheduled for October 19<sup>th</sup> at 4:30 in the Council Chambers. From that point on, it was Chair Nyhan's hope to meet every two weeks.

Mr. Baía collected everyone's email address and stated that he would distribute all information (when possible) by email. It was Mr. Baía's hope to have any material for review at an upcoming meeting to the committee members with sufficient time for an

adequate reading. Mr. Baía welcomed the committee members to contact the staff with any questions in the meantime.

Chair Nyhan tasked staff for next meeting with providing more financial detail regarding the Capital Commons garage specifically. At a subsequent meeting the committee will follow-up on the other two garages and metered spaces.

Mr. Hoyt asked if there are any other development projects currently proposed for the vicinity of the garages.

Mr. Walsh and Mr. Baía responded affirmatively.

Meeting adjourned at 6:00 pm.